

DEPARTMENT OF INFORMATION RESOURCES OPEN BOARD MEETING

Thursday, March 8, 2018, 10:00 a.m.

300 West 15th Street, Clements Building, Room 103 Austin, Texas 78701

MINUTES

PRESENT	Ben Gatzke (Board Chair) Christian Alvarado Charles Bacarisse (video conference) Jay Dyer Jeffrey Tayon (video conference) Mike Bell Bryan Collier, <i>ex-officio</i> George Rios, <i>ex-officio</i> Melody Parrish, <i>ex-officio</i>
ACTION	<i>Mr. Gatzke called the meeting to order at 10:00 a.m., with a quorum present.</i>
TOPIC	2. Chair's Remarks Consider approval of meeting minutes from January 25, 2018, Board Meeting.
MOTION	A motion was made to approve the board minutes by Mr. Bacarisse and seconded by Mr. Alvarado
ACTION	The minutes were unanimously approved.
TOPIC	3. Chief Procurement Office
DISCUSSION	<p>Mr. Hershel Becker, Chief Procurement Officer, informed the board of the contracts for board consideration related to Texas.gov and Infosec Academy. Given the nature of the Texas.gov awards, I will ask the Board to consider approval of both contracts as a single motion, effectively combining the first and second action items. We would like to present both Texas.gov contracts prior to entertaining a motion to approve the contracts. Board members were provided the contract summaries and contract documents on Friday, March 2nd. The contracts were discussed in the subcommittee meetings.</p> <p>Before presenting the contracts to the board for approval, Ms. Sally Ward will provide a brief overview of the Texas.gov capabilities. Ms. Colleen Berkley and Ms. Aiko Neill will provide background on each recommendation, covering the procurement process and apparent awardees, respectively.</p> <p>Ms. Sally Ward, Director of Planning in Chief Operations Office, discussed the Texas.gov model. DIR is changing the Texas.gov model from a P3 to DIR's shared services model. In the P3 model, customers pay NIC directly for transaction fees for NIC to manage Texas.gov, and NIC then returns to the state approximately 40% of the transaction revenues. DIR does not have visibility or control into how public/private partner uses their 60% of the transaction fees to manage Texas.gov. In the new model, customers will pay the transaction fees directly to DIR, and we will manage program expenses through our shared services governance model with our customers. With the transparency inherent</p>

in this new financial model, DIR does expect to retain additional funds that could be used in a variety of ways primarily to lower constituent transaction fees, or add new non-revenue generating applications for customer's programs or increase the state's general revenue share. We are committed to managing maintenance costs in order to reinvest those funds back into the program and we do expect to report back to the board routinely on our progress toward these goals.

The new model distributes the Texas.gov obligations over four different service component providers. The constituent call center will be moving to the multi-sourcing integrator (MSI) which is a contract that was awarded to Capgemini in January. The infrastructure housing Texas.gov will move to the data services program which is managed by ATOS. The remaining services for Texas.gov will be broken into two service components. The first is for Texas.gov payment engine and that is for all services directly around managing and getting the payments from constituents. That contract is the one we are proposing today to NIC. The second is Texas.gov services, which includes application development, application maintenance services and management of the Department of Public Safety Vehicle Inspection Program. That is the contract we are proposing today to Deloitte.

The transition will begin next week, and services commence on September 1st. This first year we will be investing in developing a new application we are calling My Government My Way, which is a constituent-focused application bringing government services to constituents through one application, rather than having each agency propose their own application to interact with constituents. We have been working with a number of agencies over the past several years that will start using this application. All applications will be presented to constituents in one place for all the services they may need. This replaces the need for each agency to have its own mobile application.

Mr. Bacarisse asked: Transition time to move agencies application to a common platform, is this included in the six months that you discussed, or will it be a longer transition as you work with each agency?

Ms. Ward asked: Are you speaking of My Government My Way?

Mr. Bacarisse responded: Yes.

Ms. Ward responded: The transition will go on for several years, we will start with some preliminary agencies in FY 2019 and start expanding services over time.

Mr. Bacarisse asked: My experience with Data Center Services, what are the incentives for the agencies to move swiftly rather than slowly?

Ms. Ward responded: The incentive here for each agency is that they can save a lot of time and money not having to build this on their own, but they can hook into what has already been developed. I think the incentive is inheriting the new technology and DIR's ability to contract for an application like this and share it with multiple-agencies and customers.

Mr. Bacarisse asked: Are some of these current applications that are legacy and maybe in a fragile state. Is there a SWOT analysis about who should go first?

Ms. Ward responded: Yes. There is an analysis about who should or can go first, who's most available to go first and we will be developing the list over the next six months.

Mr. Tayon asked: Why do you think this new structure will result in savings for the State of Texas and how much in savings do you participate in a year that the new structure will achieve.

Ms. Ward responded: Because we will have visibility into and control over which products are being managed, how they are being managed, and how the maintenance funds are invested, we have been able to identify areas of cost savings going to this new contract. We are looking at modernizing the infrastructure and modernizing the technology around Texas.gov and that will provide savings over the long term for us as well. What are the savings; we have some very rough estimates and we will not be able to come up with good numbers until we have more visibility into those applications and we have the opportunity to manage them for some time. In the initial first year, we have been able to determine a sufficient amount of savings to fund My Government, My Way. The first year we will not be investing any further beyond My Government, My Way. After that, we will set a budget that will determine for future years what that investment pattern might look like.

Mr. Tayon asked: What do you expect the savings to be in the first year that you will use for My Government, My Way.

Ms. Ward responded: Around \$7 to \$8M that we have been able to save in ongoing cost that we are reinvesting into My Government, My Way.

Ms. Colleen Berkley, Procurement Director, will discuss the procurement process. On July 19, 2017, DIR issued a Request for Offer (RFO) for Texas.gov 3.0 Services. The RFO allowed for vendors to respond to Payment Services and Application Development and Maintenance Services, which we refer to as Texas.gov Services.

In August, DIR held a pre-proposal conference for vendors where we presented DIR's vision for the Texas.gov 3.0, walked through the requirements at a high-level, and explained the pricing structure to the vendors who attended, we had 46 attendees from approximately 25 companies. We also answered questions received in advance of the conference.

We provided vendors with the opportunity to ask questions about the project through August 25, 2017, and posted answers to the Electronic State Business Daily (ESBD). Responses were due September 18th.

I am going to focus this portion of the procurement summary on Texas.gov Services, which is the Applications Development and Maintenance portion.

We received four total responses to the Texas.gov Service component, one of which was part of a combined response for both service components. Following our normal procurement protocol, responses went through an administrative review and HUB check. All responses passed these preliminary checks. At that point, a team made up of DIR and external agency evaluators then scored the responses on the following categories: 1. Technical Solution, 2. Transition, Pricing, 3. Experience, and 4. Exceptions. Based on the scores, Deloitte and Texas NICUSA were determined to be within the competitive range for Texas.gov Services. We invited these vendors to participate in clarification and integration sessions as well as to submit due diligence requests. Following the conclusion of clarification and integration, DIR issued a request for a revised offer in which we asked both vendors to take what they had learned from us to revise their offer to better fit the requirements for the State of Texas.

Following that response scoring, we had determined the clear winner for the Texas.gov Services component was Deloitte. We invited Deloitte to enter contract negotiations in January. We have completed negotiations and are ready to present the Texas.gov Services Contract to the board for approval.

Ms. Aiko Neill, Acting Enterprise Contract Director, provided a brief overview of Deloitte Consulting LLP, a subsidiary of Deloitte LLP. They have served the US public sector state government more than 41 years with 245,000 employees in 150 countries (30,000 in US and India serving consulting services). Deloitte Consulting is the successor to BearingPoint having served as the prime contractor for TexasOnline from 2000-2009. Deloitte acquired substantially all assets of Bearing Point, including personnel and contracts and was able to continue service through 2013; they have alumni” staff from this experience remaining with Deloitte today.

Program Management Support includes dedicated Key Personnel, role/responsibility teams and access to advisors that will be directly involved in supporting the Texas.gov services for the contract

Their experience with local clients:

- Texas HHS TIERS – Solution Architect/roll out of eligibility system statewide
- Texas DFPS – IMPACT Modernization/architecture review and technology guidance
- Texas DMV – eLICENSING and Registration and Titling System (RTS)/maintenance and operations
- TxDOT – IT Portfolio modernization
- UT Austin Administrative Systems Master Plan (ASMP) – consulting
- Texas CPA – statewide procurement system effort

The history of DIR contracts: Current: DBITS (App Dev; App Maintenance and Support; IT Assessments and Planning; IT project mgmt.); Technology Migration/Upgrade and IT Procurement Assistance, past contracts include Cloud Services, preceding DBITS, IT Security Services

Mr. Becker informed the board that Ms. Berkley will discuss the procurement process for the Texas.gov Payment Services.

Ms. Berkley informed the board that a similar procurement process was followed, the main difference was we only received a single response to the Payment Services component. This response was scored by the same evaluation team following the process described for Texas.gov Services. At each point in the process, we had the evaluators determining the vendor’s compliance that had been set forth by the state. Rather than looking at the scores, we looked at the questions that the evaluators raised regarding that response. We took them forward to negotiations, the response which was part of a combined response was split between services and payment. We took payment forward for negotiations as a separate item. We concluded those negotiations successfully and are ready to present to the board for approval at this time.

Ms. Neill presented the background information on Texas NICUSA, LLC. This is the current incumbent that provides all Texas.gov program services since 2010, a combination of payment processing, custom application development, operational and infrastructure support.

Texas NICUSA is local subsidiary to parent organization NICUSA Inc., formerly known as NIC Inc. They are a provider of outsourced eGovernment portals, building and managing government Web sites and services for 28 states and more than 3,000 federal, state and local agencies.

NIC founded in 1992 with Headquarters in Olathe, Kansas - service provider for federal and state government in the US with approximately 900 employees. Program Management Support includes dedicated Key Personnel that will be directly involved in supporting the payment processing services for the contract. Parent company NIC’s Experience/Clients includes providing services for digital

government programs in the following state's: Kentucky, Hawaii, Alabama, Indiana, Colorado. History of DIR contracts is the incumbent contract DIR-SDD-1075 Texas NICUSA LLC.

Mr. Alvarado ask: Why do we think there is only one offer in this instance? Do you have any background on that?

Ms. Ward responded: We believe we have a different payment model in Texas than many other states with the requirement to interface with the Comptroller's USAS system, that adds additional complexity and cost for a particular payment engine. We think there is an opportunity in the future to figure out a way to make that less complex in order to have more competition.

Mr. Gatzke commented: If there is an opportunity in the future to understand the savings that might come from transparency under the new contracts that the board be able to understand where those savings could be applied either in credits back to the constituents in form of lower payments or the evaluation to use those funds instead for additional services that might not be profit generating but might have a utility to the constituents. As your staff moves forward, it would be nice to understand the savings. We can discuss it in the subcommittee meetings. I understand the timeframe is longer than a year to evaluate the program and see the inner workings of the program.

MOTION

A motion was made to approve the award of these contracts for Texas.gov Services to Deloitte Consulting, LLP and Texas NICUSA, LLC as presented and that we delegate authority to the executive director or her designee to execute the contract by *Mr. Bell* and seconded by *Mr. Alvarado*.

ACTION

The motion was unanimously approved.

DISCUSSION

Mr. Becker asking the board to consider approval of the award for Infosec Academy Security Statement of Work. Ms. Nancy Rainosek will provide some background on Infosec Academy and Ms. Aiko Neill will provide procurement award discussion.

Ms. Nancy Rainosek, Chief Information Security Officer, provided background on the Infosec Academy. The 43rd legislature appropriated DIR funds for providing security training for state Information Security personnel. In 2014 the InfoSec academy was established. The Infosec Academy offers Texas Policy and Assurance classes which educate state agency personnel on the different responsibilities they have in terms of Texas policy and Texas law and providing information security to the agencies. Once they attend that class as a prerequisite, we offer security certification classes. DIR pays for this training and there is no cost to the agency. It is offered to one student per agency per year. This is how we developed the pricing and the budget for the training. This contract expands the classes that are offered. Also, recently enacted HB 8 requires DIR to explore the option to have employees reimbursed for certification testing. We included that offer in this contract to include certification testing.

Ms. Neill provided the procurement award discussion. The purpose of this Statement of Work (SOW) is in support of the Texas Cybersecurity Strategic Plan for DIR to ensure adequate knowledge, skills, and experience of the cybersecurity workforce statewide and is provided at no charge to the agencies. This SOW will allow DIR to secure a vendor to provide IT security training, including certification exams, for security personnel that commits to training by participating in this program.

The procurement process included responses that were solicited from 6 DIR Coop contract vendors and 2 vendors submitted responses. DIR evaluated the responses and determined that Learning Tree provided the best value offer based on overall cost. This is a firm-fixed-price throughout the term of the contract. Fixed price is per student contract with price depending on the type of training the

student/participant register for. The type of training covers a variety of security courses with options for delivery (virtual/online or instructor-led); and certification exam (pricing options with or without exam).

Based on the pricing from the vendor, the estimated not to exceed value is anticipated to be \$584,375/year (total contract value \$2,337,500 for approximately four years). The initial term is from the execution of the SOW through August 2019 with up to three (3) one-year renewal options.

The dedicated Program Management Team includes experience managing similar government training programs.

IT Security Training clients include:

- Texas: City of Houston, Texas A&M University, and LCRA;
- The city of Los Angeles, State of Massachusetts, New York Transit Authority and the State of Georgia;
- Federal government agencies, Department of Defense and Corporate Clients

Learning Tree provided a similar solution to the State of Tennessee's IT Academy. History of DIR Contracts: currently providing Technology-Based Training and DBITS.

Mr. Gatzke asked: The estimation is driven by consumption and the choices that are made. Is that the variance?

Ms. Neill responded: Correct.

Mr. Taylon asked: Is this a proper understanding that this a not to exceed contract and depending on participation that the amount paid may be less or substantially less?

Ms. Rainosek responded: Yes, it will be.

Mr. Bell commented: As a former participant in this program, I commend DIR for continuing it and adding the certification component. I know for many state employees that the certification test cost can be significant and the ability to certify those skills they acquired in training is big. I commend you for adding that component to the program, it will help a lot.

Mr. Rios commented: As an agency with the challenges we have in recruitment, retention and the shrinking operating dollars that we have. Being able to put those dollars toward training that is very crucial, especially now trying to secure our data systems. We do appreciate this opportunity to have this ongoing and have it paid for through these programs.

MOTION

A motion was made to approve the award of these contracts for Texas.gov Services to Deloitte Consulting, LLP and NICUSA, LLC as presented and that we delegate authority to the executive director or her designee to execute the contract by *Mr. Bell* and seconded by *Mr. Alvarado*

ACTION

The motion was unanimously approved.

TOPIC

16. Public Testimony

No public testimony

Mr. Rios commented: I don't have a public testimony. I wanted to bring to attention that has come up with our agency, we continue to have DIR's ongoing support in helping us come to a resolution on

an agreement with a current contract vendor and a vendor that we have. If need be, we ask for a subcommittee meeting to address the issues if not addressed within the next week or so.

Mr. Gatzke asked: Stacey, can we do a meeting?

Ms. Napier commented: Yes.

MOTION A motion was made to adjourn the meeting by *Mr. Bell* and *Mr. Bacarisse* seconded the motion.

ACTION The meeting adjourned at 10:35 a.m.

Approved by the Board Chair:

Ben Gatzke, Chair

Date